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THE COLONIAL ECONOMY: MERCANTILISM

CHAPTER 5 SECTION 4

The Colonial Period

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The Colonial Economy: Mercantilism

Beginning around 1650, the British government pursued a policy of mercantilism in international trade. Mercantilism stipulates that in order to build economic strength, a nation must export more than it imports. To achieve this favorable balance of trade, the English passed regulatory laws exclusively benefiting the British economy. These laws created a trade system whereby Americans provided raw goods to Britain, and Britain used the raw goods to produce manufactured goods that were sold in European markets and back to the colonies. As suppliers of raw goods only, the colonies could not compete with Britain in manufacturing. English ships and merchants were always favored, excluding other countries from sharing in the British Empire's wealth.

Between 1651 and 1673, the English Parliament passed four Navigation Acts meant to ensure the proper mercantilist trade balance. The acts declared the following:

- Only English or English colonial ships could carry cargo between imperial ports.
- Certain goods, including tobacco, rice, and furs, could not be shipped to foreign nations except through England or Scotland.
- The English Parliament would pay "bounties" to Americans who produced certain raw goods, while raising protectionist tariffs on the same goods produced in other nations.
- Americans could not compete with English manufacturers in large-scale manufacturing.

The Navigation Acts severely restricted colonial trade, to the benefit of England.

The colonists initially complained about these strictures on trade. In New England in particular, many colonists evaded the restrictions of the Navigation Acts by smuggling. But although relations between England and the colonies were often full of friction (as in 1684, when Charles II revoked the Massachusetts Bay Colony's charter as punishment for smuggling), the two sides never came to any real conflict.

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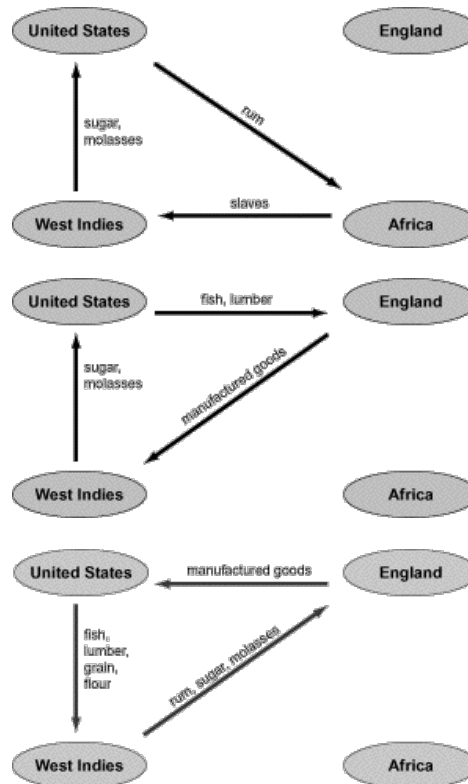
Instead, England developed a policy of salutary neglect toward the colonies, which meant that the trade laws that most hurt the colonial economy were not enforced. Threatened by the presence of the French in North America, British officials knew that at some point they would have to clash with the French over the domination of the continent, and they needed the colonists to support them when that time came. The British did not want to alienate their much-needed allies through aggressive trade restrictions.

With the prospect of war against the French looming, the British employed salutary neglect to maintain the colonists' loyalty.

The Triangular Trade

British mercantilism manifested itself in the form of the triangular trade. Trade routes linked the American Colonies, West Indies, Africa, and England. Each port provided shippers with a payoff and a new cargo. New England rum was shipped to Africa and traded for slaves, which were brought to the West Indies and traded for sugar and molasses, which went back to New England. Other raw goods were shipped from the colonies to England, where they were swapped for a cargo of manufactured goods.

Mercantilism and the triangular trade proved quite profitable for New England tradesmen and ship builders. But in the Southern Colonies, where the Navigation Acts vastly lowered tobacco prices, economies suffered. The triangular trade also spurred a rise in the slave population and increased the merchant population, forming a class of wealthy elites that dominated trade and politics throughout the colonies.



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The Colonial Period

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